to judge to what extent legal tender currency may in fact be depreciated in terms of bullion. But it is practically certain that there has been some depreciation, and to this extent therefore the gold standard has ceased to be effective/' Very well, then, what has to be done to get back to the old state of things under which there was a more or less automatic check on the creation of credit and the issue of currency ? This check worked by a system which was elastic and simple. It was not entirely automatic, because its working had to be controlled by the Bank of England, which, by the action of its discount rate, could, more or less, quicken or check the working of the machine* Legal tender currency could only be increased by imports of gold; and exports of gold reduced the available amount of legal tender currency; and since a stock of legal tender currency was essential to meet the demands upon them that bankers made possible by creating credits, there was thus an indirect and variable connection between the country's gold stock and the extent to which bankers would think it prudent to multiply credits. If credits were multiplied too fast, our currency was depreciated in value as compared with those of other countries and the exchanges went against us and gold either was exported or began to look as if it might be exported. If it was exported the legal tender basis of credit was

reduced and the creation of credit was checked. If the Directors of the Bank of England thought it inadvisable that gold should be exported they could, by raising the rate of discount and taking artificial measures to control